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2. SITUATION IN INDONESIA

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President Sukarno's ability to carry out his plan to set up an "advisory council" to govern Indonesia under his direction depends on the support or resistance accorded him by the army and the major political parties.

The political parties will probably oppose the plan as unconstitutional, while bargaining with Sukarno over their role in the new organization, but most of the major ones probably will ultimately support him. Army chief of staff Nasution, who appears to control major army factions, reportedly has "reached agreement" with Sukarno on "solving the country's problems."

The outlying provinces, which have long opposed centralized control, might resist strongly such an assertion of one-man rule in Djakarta, possibly even to the point of withdrawal from the republic.

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5. ISHIBASHI BLOCKS INCREASE OF JAPANESE
GROUND FORCES IN 1957

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Prime Minister Ishibashi told Ambassador Allison on 16 January that it was impossible for political reasons to provide funds for any increase in Japan's

ground forces during 1957. Ishibashi stated, however, that personnel increases requested for the air and naval forces would be granted and that the budget for 1958 would provide for a 10,000-man increase in the ground forces.

Ishibashi noted that increases in other categories of military expenditures and the utilization of funds carried over from fiscal 1956 would actually make defense spending greater in 1957 than in the previous year.

Comment

The prospect of a general election this year probably is an important factor in determining Ishibashi's position. This possibility places defense expenditures at a disadvantage in competing with such politically attractive fiscal policies as tax reduction and welfare measures.

Japan's defense build-up has received increasing criticism from elements in the government party and the opposition for alleged overemphasis on ground forces. Ishibashi himself has publicly stated he favors "quality over quantity" and that he would place greater emphasis on modernizing the defense forces.

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6. RUMANIA MAY NOT PERMIT US OBSERVERS AT
FEBRUARY ELECTIONS

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Rumanian deputy foreign minister Lazareanu has told the American ambassador in Bucharest he personally doubts that his government will

now permit the visit of Americans invited to observe the Rumanian national elections scheduled for 3 February. Lazareanu claimed that American government-sponsored attacks on Rumania through the Voice of America and Radio Free Europe and public statements by members of the US government had caused the deterioration of the relatively friendly US-Rumanian relations of last fall. He charged that Americans had endangered Rumanian internal security not only by inciting Hungarians to revolt on the Rumanian-Hungarian borders but also by making statements calculated to incite Rumanians to revolt against their own government.

Comment

The Rumanian Foreign Ministry invitation of 5 October, issued just before talks began with the US concerning long-standing problems between the two countries, was in reciprocation for invitations to observe the American elections. Lazareanu's statements are symptomatic of the generally stiffened line toward the US in all of the Satellites.

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ANNEX

Watch Report 337, 17 January 1957
of the
Intelligence Advisory Committee

Conclusions on Indications of Hostilities

On the basis of findings by its Watch Committee the
Intelligence Advisory Committee concludes that:

- A. No Sino-Soviet Bloc country intends to initiate hostilities against the continental US or its possessions in the immediate future.
- B. No Sino-Soviet Bloc country intends to initiate hostilities against US forces abroad, US allies or areas peripheral to the Orbit in the immediate future.
- C. A deliberate initiation of hostilities in the Middle East is improbable in the immediate future.

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